

1 STATE OF MISSOURI
2 PUBLIC SERVICE COMMISSION

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5 TRANSCRIPT OF PROCEEDINGS

6 Public Hearing

7 April 28, 2004
8 Blue Springs, Missouri
Volume 3

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11 In the Matter of Missouri Gas)
12 Energy's Tariffs to Implement a)
13 General Rate Increase for Natural) Case No. GR-2004-0209
Gas Service)

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16 MORRIS L. WOODRUFF, Presiding,
17 SENIOR REGULATORY LAW JUDGE

18 CONNIE MURRAY,
19 COMMISSIONER.

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1 APPEARANCES:

2 For Jackson County:

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14 For Missouri Gas Energy:

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1 PROCEEDINGS

2 JUDGE WOODRUFF: Good afternoon, everyone.
3 Welcome to the local public hearing. My name is
4 Morris Woodruff. I'm the regulatory law judge for
5 the commission and I'll be presiding today. With me
6 on my right here is Commissioner Connie Murray, one
7 of the commissioners, as has been explained to you
8 by Mr. Ochoa. And we're here for a local public
9 hearing. This is Case Number GR-2004-0209, which
10 concerns Missouri Gas Energy's tariff to implement a
11 general rate increase.

12 We're here to take comments as has been
13 indicated. It will all be recorded by the court
14 reporter and a transcript will be made so that the
15 other commissioners who aren't here today will have
16 a chance to review that. I'll ask you when you
17 testify to come on up and sit at the witness chair
18 over here and I'll swear you in just like on TV so
19 we have a good record of your testimony. We'll
20 begin by actually taking -- I'll ask the attorneys
21 who are here to enter their appearance and we'll
22 start with that and begin with Missouri Gas Energy.

23 MR. HACK: Robert Hack appearing for
24 Missouri Gas Energy.

25 JUDGE WOODRUFF: And for the staff.

1 MR. FRANSON: Robert Franson appearing for
2 the staff of the Public Service Commission.

3 JUDGE WOODRUFF: And for public counsel.

4 MR. MICHEEL: Douglas E. Micheel,
5 M-i-c-h-e-e-l, appearing on behalf of the Office of
6 the Public Counsel.

7 JUDGE WOODRUFF: Any other parties here?

8 MR. FINNEGAN: Yes. Jeremiah Finnegan
9 appearing on behalf of Jackson County. And we'd
10 like to -- on behalf of Jackson County, the county
11 executive, Katherine Shields, and county legislature
12 would like to welcome the commissioner to Jackson
13 County for the two hearings you're going to have
14 here today, so thank you.

15 JUDGE WOODRUFF: Thank you very much. All
16 right. I've got a list of witnesses here. We've
17 got several names. I'm going to call you up, swear
18 you in, you're going to give your testimony and then
19 I'm going to give the attorneys a chance -- well,
20 first of all, I'll give Commissioner Murray a chance
21 to ask you questions also if she has any questions
22 to follow up on. I'll give the attorneys a chance
23 to ask questions as well. That's not to be
24 confrontational, just if they have any questions as
25 to any details of what you've told us, they can

1 follow up on that and we'll be done.

2 Let's go with the first name. It looks like
3 it's William Pierce. Do you want to come up, Mr.
4 Pierce. If you'd please raise your right hand. Be
5 seated first if you want to be.

6 MR. PIERCE: That's all right. I just --
7 sit that tank down.

8 WILLIAM PIERCE,
9 being first duly sworn, was examined and testified
10 as follows:

11 JUDGE WOODRUFF: You may be seated and
12 could you tell us your name.

13 MR. PIERCE: William Pierce.

14 JUDGE WOODRUFF: And you live here in Blue
15 Springs?

16 MR. PIERCE: I live in Blue Springs, yes.
17 Have for 27 years.

18 JUDGE WOODRUFF: What would you like to
19 tell us?

20 MR. PIERCE: Well, there's two points I
21 would like to make or at least question. In the
22 proposal, it states the proposed rate structure
23 would help stabilize bills for customers by
24 significantly reducing the impact of weather-related
25 fluctuations during the winter and by reducing the

1 difference between summer and winter bills and I'm
2 puzzled as to how something like this can stabilize
3 bills, which are dependent entirely on the weather.
4 I don't see how, for example, a residential increase
5 of \$6.50 is going to stabilize my bill between
6 winter and summer. And I might say, I'm on the
7 level pay, so I won't see that kind of impact
8 anyway, but I'm sure everybody who is not on level
9 pay is really not going to see much of a
10 stabilization, at least as I can see it.

11 The second question I have is the amount we're
12 talking about is what, some 44 million? And I think
13 we all know that Missouri Gas Energy is owned by
14 Southern Union and Southern Union recently showed
15 what they call a quarter earning, three-month
16 earnings for the period ending December 31st of
17 2003 of 34-1/2 million approximately or 47 cents a
18 share, which in effect was up some almost triple
19 what it had been a year before.

20 At the same time, they're saying the firm plans
21 to remain on plan to deliver fiscal 2004 earnings of
22 \$1.28 to \$1.43 a share, which in effect is almost
23 another tripling amount or somewhere in the area of
24 \$102 million. I just wonder how much of the
25 44 million we're talking about here that Missouri

1 Gas Energy wants is going to be part of this
2 dividend that Southern Union is seeking? That's all
3 I have.

4 JUDGE WOODRUFF: All right. Thank you.
5 Commissioner, do you have any questions?

6 COMMISSIONER MURRAY: I don't have any
7 questions, but I'd like to encourage you if you'd
8 like to get your questions answered while you're
9 here today, you might talk to either a
10 representative of the company that's here and they
11 have at least a couple of representatives here, as
12 well as members of our staff or the Office of Public
13 Counsel. And you might get some of your questions
14 answered before you leave today.

15 JUDGE WOODRUFF: All right. Is that --
16 company has no questions. Staff?

17 MR. FRANSON: No questions, your Honor.

18 JUDGE WOODRUFF: Of the counsel?

19 MR. MICHEEL: No questions, your Honor.

20 JUDGE WOODRUFF: Mr. Finnegan?

21 MR. FINNEGAN: No questions.

22 JUDGE WOODRUFF: All right. Thank you.
23 You may step down, sir.

24 MR. PIERCE: Thank you.

25 JUDGE WOODRUFF: The next name on the list

1 is Leland Mardis.

2 MR. MARDIS: Yes. I have nothing to add
3 after the question and answer session.

4 JUDGE WOODRUFF: Okay. Next name then is
5 Richard Franklin.

6 MR. FRANKLIN: I have no testimony. I'm
7 just an observer. I'm glad it wasn't a list to
8 volunteer for duty in Iraq or something.

9 JUDGE WOODRUFF: All right. Very well.
10 Bob Painter.

11 BOB PAINTER,
12 being first duly sworn, was examined and testified
13 as follows:

14 JUDGE WOODRUFF: You may be seated and
15 tell us your name.

16 MR. PAINTER: My name is Bob Painter. I'm
17 with the Missouri Department of Natural Resources
18 Energy Center in Jefferson City. I'm located in
19 Kansas City. I'm here to just make a comment. You
20 may or may not know that the Energy Center is
21 working as a goal to create efficiencies, to
22 moderate bills, to preserve our natural resources,
23 which in effect moderates those charges that come
24 from the bills that are generated. And I wanted to
25 make a point that several companies, including a few

1 in the Kansas City area, have come forward to
2 support the Energy Center by helping us work with
3 Energy Star and weatherization programs to promote
4 those efficiencies.

5 The Energy Star program is a Department of
6 Energy program that, as you've probably seen in all
7 your different devices, that shows that devices are
8 more efficient or processes are more efficient and
9 that's something that we encourage corporate
10 partners to help us do to get the message across to
11 the public. We're not experts in any kind of rate
12 case. We just want to come forward and say that
13 Missouri Gas Energy is one of those people who have
14 come forward.

15 JUDGE WOODRUFF: Commissioner Murray?

16 COMMISSIONER MURRAY: No questions. Just
17 a comment. We appreciate the work you do as well.
18 Thank you.

19 JUDGE WOODRUFF: Company have any
20 questions?

21 MR. HACK: No, sir, thank you.

22 JUDGE WOODRUFF: Staff?

23 MR. FRANSON: No, your Honor.

24 JUDGE WOODRUFF: Public counsel?

25 MR. MICHEEL: Not until the hearing.

1 JUDGE WOODRUFF: All right. Mr. Finnegan?

2 MR. FINNEGAN: Just one question. Did you
3 say that MGE is a member of the Energy Star?

4 MR. PAINTER: We have a task force that is
5 working to design programs to do home energy audits,
6 which is part of the weatherization -- it's kind of
7 adjoined to the weatherization program. The
8 weatherization program is a different funded
9 program, but we will use this Energy Star program to
10 weatherize homes across all different brackets of
11 incomes to create efficiency. And the various
12 utilities, MGE being one of them, has come forward
13 to help us do that.

14 MR. FINNEGAN: Thank you.

15 JUDGE WOODRUFF: All right. Thank you,
16 Mr. Painter. You may step down. Next name on the
17 list is Ed Krawczyk.

18 MR. KRAWCZYK: Krawczyk.

19 JUDGE WOODRUFF: Krawczyk. I was pretty
20 close.

21 MR. KRAWCZYK: Not bad.

22 EDWARD KRAWCZYK,
23 being first duly sworn, was examined and testified
24 as follows:

25 JUDGE WOODRUFF: You may be seated. And

1 if you'd tell us your name and you might want to
2 spell it for the court reporter.

3 MR. KRAWCZYK: My name is Edward Krawczyk,
4 K-r-a-w-c-z-y-k. I've been an employee of the gas
5 service company, KPL Gas Service and Missouri Gas
6 Energy now for over 30 years now. I'm currently a
7 welder and I've been welding for them for about 17
8 years. I'm also the union president with United
9 Steel Workers of America Local 12561 and I represent
10 about a hundred members that work out of the Lee's
11 Summit, Missouri and Warrensburg, Missouri service
12 center. And we service just about all towns that
13 are probably east and south of Kansas City. We've
14 got a few customers in Kansas City, but most of them
15 are the Lee's Summit, Independence and outer areas
16 like that. And I'm also a Missouri Gas Energy
17 customer.

18 As a welder for Missouri Gas Energy, I have the
19 opportunity to see firsthand construction expenses,
20 like the safety line replacement program, the
21 relocation of gas lines due to public improvements
22 and also new construction costs. What I was doing
23 this morning was welding up on a 6-inch steel gas
24 line. That gas line has to be moved because of a
25 public improvement project and that's not just one

1 that we've moved on this one project in
2 Independence. This is the fourth time we've had to
3 move that 6-inch steel line and Missouri Gas Energy
4 bears that cost.

5 In my job as a union representative, I have the
6 opportunity to see firsthand MGE's expenses that
7 relate to wages, health care, employee training and
8 employee benefits. These are expenses that are
9 necessary to keep a well-trained work force. We've
10 formed a partnership, kind of a union labor, a union
11 company partnership and we meet on -- well, just
12 about monthly and we look over costs. We know that
13 controlling costs and benefits and everything
14 without cutting the benefit is very important,
15 especially health care right now. We've also met
16 and negotiated a contract that's six months early
17 and it's a five-year labor agreement because we
18 know, and it's important to a company to be able to
19 know what their expenses are down the road. And we
20 did that in November and it doesn't even come into
21 effect until May the 1st.

22 As a customer of Missouri Gas Energy, I have
23 natural gas delivered to my door that heats my
24 house, heats my water, dries my clothes and helps
25 cook my food. My last gas bill was \$158.96. If you

1 subtract the taxes, the amount that MGE received was
2 \$143.23. That's only \$4.93 a day to provide these
3 services. And keep in mind, too, that's not a
4 delivery charge. Missouri Gas Energy then has to
5 turn around and pay for the gas that I've burned for
6 that day. In closing, I'd just like to say over the
7 last three years, Missouri Gas Energy has spent
8 nearly \$55 million in improvements and expenses like
9 I just mentioned and in light of these facts, I
10 support the proposed rate request by Missouri Gas
11 Energy.

12 JUDGE WOODRUFF: Thank you. Commissioner
13 Murray?

14 COMMISSIONER MURRAY: No questions. Thank
15 you.

16 JUDGE WOODRUFF: Mr. Hack?

17 MR. HACK: No. Thank you.

18 JUDGE WOODRUFF: Staff?

19 MR. FRANSON: No questions, your Honor.

20 JUDGE WOODRUFF: Public counsel?

21 MR. MICHEEL: No.

22 JUDGE WOODRUFF: Mr. Finnegan?

23 MR. FINNEGAN: No questions.

24 JUDGE WOODRUFF: All right. Thank you.

25 You may step down. Next name on the list is Harry

1 Keller.

2 MR. KELLER: I have nothing to say. It
3 wouldn't do any good.

4 JUDGE WOODRUFF: Cotton Sivils.

5 COTTON SIVILS,
6 being first duly sworn, was examined and testified
7 as follows:

8 JUDGE WOODRUFF: You may be seated and
9 tell us your name.

10 MR. SIVILS: My name is Cotton Sivils. I
11 represent a group called Hillcrest Ministries. We
12 are a not-for-profit organization in eastern Jackson
13 County. We provide transitional housing services
14 for homeless families. I'm here to echo some of Mr.
15 Painter's comments about MGE's responsiveness and
16 dedication to being involved in the communities that
17 they serve.

18 I've been in this position for about the last
19 year and my experience with MGE has been that they
20 have been supportive of the work that we do and that
21 they have been very helpful in connecting me with
22 resources that exist in eastern Jackson County,
23 particularly in terms of helping me become more
24 familiar with the community. They've made modest
25 donations to our organization to help us with the

1 work that we do and I think that's pretty much -- to
2 the degree that they are -- I'm certainly no expert
3 in rate design or anything like that, but to the
4 degree that they are successful in their endeavors,
5 it also helps my organization, however modest that
6 is, to be successful in what we do.

7 JUDGE WOODRUFF: Commissioner Murray?

8 COMMISSIONER MURRAY: How long did you say
9 you've been in your position?

10 MR. SIVILS: Past year.

11 COMMISSIONER MURRAY: And did you have a
12 similar position or do similar work prior to this?

13 MR. SIVILS: The work that I did prior to
14 that is I was a grant maker, so I was the one that
15 people sent the letters to.

16 COMMISSIONER MURRAY: Thank you.

17 JUDGE WOODRUFF: Mr. Hack?

18 MR. HACK: No. Thank you, sir.

19 JUDGE WOODRUFF: Staff?

20 MR. FRANSON: No questions, your Honor.

21 JUDGE WOODRUFF: Public counsel?

22 MR. MICHEEL: Do you have an idea of
23 whether or not the rate increase is going to help or
24 hurt your constituents, if indeed the commission
25 grants the full rate increase?

1 MR. SIVILS: I'm really not familiar
2 enough to speak to that question. Like most -- I am
3 relatively familiar with the challenges that low
4 income folks face in terms of cuts to LIHEAP funding
5 and that sort of thing. There never seems to be
6 enough resource to go around for low income folks to
7 be able to meet their obligations along those lines.
8 It's a problem, I think, that doesn't have a clear
9 solution at this point.

10 JUDGE WOODRUFF: Thank you. Mr. Finnegan?

11 MR. FINNEGAN: No questions.

12 JUDGE WOODRUFF: You may step down.

13 MR. SIVILS: Thank you.

14 JUDGE WOODRUFF: Next name on the list is
15 Charles Cooper.

16 CHARLES COOPER,
17 being first duly sworn, was examined and testified
18 as follows:

19 JUDGE WOODRUFF: You may be seated. Tell
20 us your name.

21 MR. COOPER: Charles Cooper. And I have
22 rental property in Independence, 413 North Liberty,
23 and I'm speaking in behalf of 6 tenants that reside
24 in those apartments that are all seniors, ranging in
25 age from 73 to 96, fixed incomes. And that's

1 basically one of my aspects of my comments today.
2 The second one would be more personal. But the rate
3 increase is going to significantly affect those
4 fixed income folks that have asked me to speak on
5 their behalf and a retired school teacher, a
6 96-year-old, all the way down to a cancer victim
7 right now that's fighting cancer and she's wondering
8 where her next paycheck's going to come from to be
9 able to pay the chemotherapy she's had to go
10 through. It's been a real ordeal.

11 And to be quite honest with you, I'm not
12 receiving the rent rate in comparison to what other
13 apartment complexes are in that area. And I've been
14 very kind and generous, I think, in that aspect and
15 I've actually bore the brunt because of that very
16 factor. And to be quite honest with you, I've owned
17 the apartment complex six years and I have never
18 raised the rates on three of those six people for
19 that very reason on that fixed income.

20 The second aspect I'd like to address today is
21 I've been -- also have rental property in Raytown,
22 of which I have been attempting to get the gas
23 service turned on last November. It so happened I
24 learned in November, around December I should say,
25 that a former tenant had accrued gas expense

1 Mr. Cooper that that is in fact a formal complaint
2 that is a dispute between yourself and our company
3 at this time pending before the --

4 MR. COOPER: And I'm really disappointed
5 that we couldn't resolve this much simpler than what
6 we have, but you're going to make a point in your
7 aspect and a \$760 gas bill -- I don't know what your
8 accounts receivable people -- I never received the
9 bill, never received notice. I never even knew
10 there was an outstanding gas bill 'til I made
11 application for the service and that's kind of the
12 grudge with me.

13 MR. HACK: Yeah, I understand.

14 MR. COOPER: Well, if you understand it,
15 then I think you should be a little more
16 understanding for it.

17 JUDGE WOODRUFF: Staff questions?

18 MR. FRANSON: No, your Honor.

19 JUDGE WOODRUFF: Public counsel?

20 MR. MICHEEL: No at this time.

21 JUDGE WOODRUFF: Mr. Finnegan?

22 MR. FINNEGAN: No.

23 JUDGE WOODRUFF: Thank you, Mr. Cooper.
24 That's the last name on the sign-up list. Is there
25 anyone else here who would like to testify that

1 didn't get a chance to sign the list? All right
2 then. Commissioner Murray, any final comments?

3 COMMISSIONER MURRAY: Thank you for being
4 here. We appreciate your comments and the other
5 commissioners who were not able to be here today
6 will certainly read the transcript. Thank you.

7 JUDGE WOODRUFF: Thank you. And with that
8 we're adjourned.

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C E R T I F I C A T E

I, WENDY S. MARTIN, Certified Court Reporter,
do hereby certify that I appeared at the time and
place hereinbefore set forth; I took down in
shorthand the entire proceedings had at said time
and place, and the foregoing 20 pages constitute a
true, correct and complete transcript of my said
shorthand notes.

Certified to this 12th day of May, 2004.

Wendy S. Martin, C.C.R. No. 1088 (T)
Certified Court Reporter
Notary Public for the State of
Missouri

